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**CANADIAN  
INDUSTRIAL  
GAS & OIL LTD.**

**ANNUAL REPORT**

**1972**

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## Head Office

640 Eighth Avenue S.W.,  
Calgary, Alberta, Canada T2P 1G9

## London Office

1st floor Wellington House, 6/9 Upper St.  
Martin's Lane, London, England WC2H 2DL

## Auditors

RIDDELL, STEAD & CO. Calgary, Alberta

## Registrars and Transfer Agents

**Common and Preferred Shares:**  
NATIONAL TRUST COMPANY, LIMITED  
Calgary, Montreal, Toronto, Vancouver, Winnipeg  
THE BANK OF NEW YORK New York

## Exchange Listing

**Common and Preferred Shares**  
TORONTO STOCK EXCHANGE

The Annual Meeting of Shareholders will be held at 9:30 a.m. Mountain Standard time on Thursday, April 12, 1973 at the Holiday Inn, Calgary, Alberta.



# Canadian Industrial Gas & Oil Ltd.

## Directors

Edward G. Battle  
Executive Vice-President,  
Canadian Industrial Gas & Oil Ltd.

\*Edmund C. Bovey  
President & Chief Executive Officer,  
Northern and Central Gas Corporation Limited

C. Spencer Clark  
Chairman of the Board,  
Northern and Central Gas Corporation Limited  
Chairman of the Board,  
Cascade Natural Gas Corporation

Robert B. Craddock  
Tucker's Town, Bermuda  
Consultant to Northern and Central Gas  
Corporation Limited

J. Ian Crookston  
Toronto, Ontario  
President, Nesbitt, Thomson and Company, Limited

\*Edward A. Galvin  
President,  
Canadian Industrial Gas & Oil Ltd.

\*Richey B. Love, Q.C.  
Senior Partner,  
Macleod Dixon, Barristers & Solicitors

William I. M. Turner, Jr.  
President,  
Consolidated-Bathurst Limited.

John R. Yarnell  
Vice-President, Finance,  
Canadian Arctic Gas Study Limited.

\*Member of the Executive Committee

## Officers

Edward A. Galvin	President
Edmund C. Bovey	Chairman of the Executive Committee
Edward G. Battle	Executive Vice-President
Donald D. Barkwell	Vice-President, Finance & Services
Donald R. Jepson	Vice-President, Production
George T. Hefter	Vice-President, LP Gas
Wilfrid A. Loucks	Vice-President, Exploration
D. Stewart McIntosh	Vice-President, Pipelines
Laurence A. Sills	Secretary
A. Kenneth Davies	Treasurer
Russell G. Rennie	Assistant Secretary



## Comparative Summary

YEAR ENDED DECEMBER 31

		1972	1971	1970	1969
Revenue		\$47,432,000	\$42,086,000	\$33,901,000	\$34,174,000
Cash flow		\$19,476,000	\$17,479,000	\$15,325,000	\$14,512,000
Net earnings		\$10,720,000	\$ 9,889,000	\$ 8,912,000	\$ 8,188,000
Cash flow	per common share	90¢	81¢	71¢	71¢
Net earnings	per common share	50¢	47¢	42¢	41¢
<b>Net Production</b>					
Crude Oil and Gas Liquids	Barrels/day	11,095	10,162	9,306	8,681
Natural Gas	MMcf/day	98.8	93.4	95.2	88.3
Sulphur	Long Tons	14,680	13,690	13,400	10,810
Gas Gathering & Transmission (Sales)	MMcf/day	139.4	125.8	120.8	120.3
Oil Gathering & Transmission (Transported)	Barrels/day	113,400	117,600	122,300	123,800
Liquefied Petroleum Gas (Sales)	Imp. Gallons	88,400,000	76,500,000	67,400,000	59,800,000
<b>Reserves (see page 15)</b>					
Crude Oil and Gas Liquids	Barrels	70,216,000	69,733,000	63,775,000	49,746,000
Natural Gas	MMcf	582,200	603,700	619,600	597,000
Sulphur	Long Tons	326,000	241,000	255,000	246,900
Land	Gross Acres	20,065,818	23,408,839	16,335,847	18,152,342
	Net Acres	10,965,874	14,223,230	11,100,522	12,727,674
Miles of Pipeline System		1,350	1,317	1,248	1,109
Propane Distribution Plants		54	54	44	37
Number of Employees		567	563	445	356



1968	1967	1966	1965
\$29,616,000	\$26,266,000	\$23,727,000	\$21,532,000
\$14,379,000	\$11,961,000	\$10,267,000	\$10,084,000
\$ 8,196,000	\$ 6,359,000	\$ 6,416,000	\$ 6,188,000
71¢	60¢	52¢	51¢
41¢	32¢	32¢	31¢
8,609	7,954	7,356	6,958
81.8	73.6	71.0	63.6
10,390	6,780	4,620	4,880
108.6	102.0	94.9	83.3
122,100	118,700	112,800	102,200
53,500,000	48,300,000	43,600,000	30,700,000
46,312,000	43,826,000	41,914,000	33,350,000
595,800	590,000	524,800	554,200
257,700	—	—	—
10,994,464	8,411,515	8,827,548	7,126,752
5,846,223	2,802,253	3,074,010	1,702,441
1,091	1,010	949	895
36	37	37	33
340	360	367	322

## Principal Subsidiary Companies

Abasand Oils Limited (100%)

Athabasca tar sands royalties

Cigas Products Ltd. (100%)

LP Gas marketing

Western Propane, Inc. (100%)

LP Gas marketing in Oregon and Washington

CIGOL International Ltd. (100%)

Foreign & Canadian frontier oil & gas exploration

Frisco Petroleums Ltd. (100%)

Oil & gas production and exploration

Prairie Oil Royalties Company, Ltd. (74%)

Oil & gas production and exploration

Trans-Prairie Pipelines, Ltd. (97%)

Oil pipelines and oil & gas production and exploration

Columbia Natural Gas Limited (99.8%)

Utility gas distribution in British Columbia

TO: THE SHAREHOLDERS

## DIRECTORS' REPORT

The Company's financial performance for the year 1972 was favourable, reflecting increases in both cash flow and net earnings over the year 1971. Higher general costs were offset by increased production and sales. The wellhead price of crude oil increased in November 1972 and January 1973. However, as energy demands increase, further adjustments in oil and gas prices will be needed to meet the rising costs of production.

Without accounting for Arctic or North Sea discoveries, the Company's oil and gas reserves additions for the year were disappointing. This was a general industry experience and it is acknowledged that future oil and gas finding will only be made at increased cost. Social impacts, economic consideration and environmental matters have caused governments to react slowly and cautiously and this will have impact on the cost of finding and producing oil and gas. Governments are increasing the amounts of direct sharing in the proceeds of oil and gas production and the effect of these policies could, in the longer term, be negative.

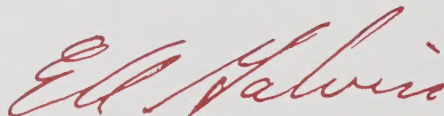
The proposed financing of CIGOL International Ltd., a wholly-owned subsidiary, is for the purpose of exploring in the frontier areas of Canada and other parts of the world. It is recognized that the Company's reserves and income growth, if they are to be material, will only result from major oil and gas finding. Recognizing the attendant risks, the Company is directing a large segment of its exploration funds into areas offering promise of substantial reward.

The following highlights and other events are reviewed in more detail in this report:

- Participation in a gas discovery on Block 47/14 in the North Sea;
- A consortium, of which the Company is a member, was awarded additional acreage in the North Sea;
- Participation in the drilling of the Hecla gas discovery on Melville Island in the Arctic;
- Participation in two gas follow-up wells to the Drake Point gas discovery on Melville Island;
- A farm-in from Imperial Oil Ltd. in the Tuktoyaktuk Peninsula on the Canadian Arctic Coast.

It is with regret that your directors have received notification that Mr. John R. Yarnell, through pressure of other business, does not wish to stand for re-election as a director. Mr. Yarnell has served as a director of the Company since its formation on March 8, 1965 and your Board wishes to express its sincere appreciation for his outstanding contribution and dedication to the Company's affairs.

On behalf of the Board



Calgary, Alberta  
March 26, 1973.

President

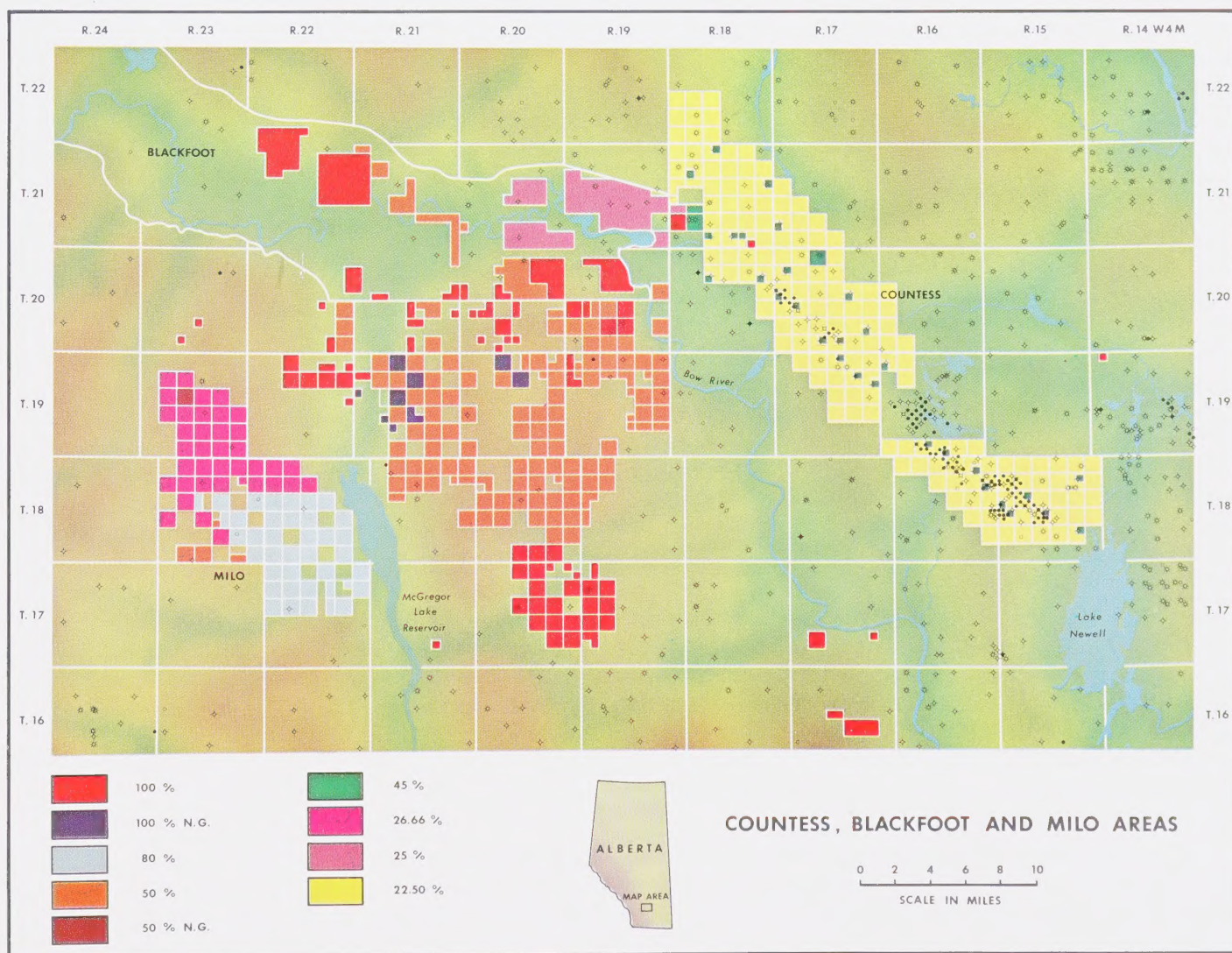


## Drilling

In 1972, the Company participated in the drilling of 104 wells (39.29 net) compared to 82 wells (31.73 net) in the previous year. This augmented drilling program resulted in 25 oil and 31 gas wells (7.41 and 10.63 net wells respectively). The following is a tabulation of the wells drilled:

	Oil		Gas		Abandoned		1972 Total		1971 Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>ALBERTA</b>										
Exploratory .....	2	.73	10	4.41	27	12.83	39	17.97	34	13.06
Development .....	16	5.44	6	2.04	5	2.04	27	9.52	21	9.28
<b>BRITISH COLUMBIA</b>										
Exploratory .....	2	.40	5	2.10	3	.75	10	3.25	7	1.80
Development .....	5	.84	4	.79	1	1.00	10	2.63	11	3.47
<b>SASKATCHEWAN</b>										
Exploratory .....	—	—	2	1.00	8	3.91	10	4.91	4	2.77
Development .....	—	—	—	—	1	.28	1	.28	2	1.14
<b>NORTH SEA</b>										
Exploratory .....	—	—	1	.20	—	—	1	.20	1	.15
<b>ARCTIC</b>										
Exploratory .....	—	—	3	.09	2	.23	5	.32	2	.06
<b>MALTA</b>										
Exploratory .....	—	—	—	—	1	.21	1	.21	—	—
<b>TOTAL</b> .....	<u>25</u>	<u>7.41</u>	<u>31</u>	<u>10.63</u>	<u>48</u>	<u>21.25</u>	<u>104</u>	<u>39.29</u>	<u>82</u>	<u>31.73</u>

## EXPLORATION REVIEW





## **Western Canada Sedimentary Basin**

An exploratory and development drilling program is being pursued in the general area of Countess-Lathom, Majorville and Milo in southern Alberta. (See map on page 5). In the Countess-Lathom area, the Company participated in 13 development and infill wells and 6 exploratory wells, resulting in 10 oil and 1 gas completions. In the Majorville area, approximately 10 miles west of the Countess field, an oil discovery was made on lands in which the Company has a 50% interest. Further exploratory drilling will be carried out on the Company's land in this area.

## **Arctic Islands (See map on pages 12 and 13)**

Through its 10% share interest in Elf Oil Exploration and Production Canada Ltd., and directly and through its .67% interest in Panarctic Oils Ltd., the Company participated in the drilling of 22 wells in the Canadian Arctic Islands. This drilling resulted in the Panarctic Hecla F-62 gas discovery and two successful follow-up wells to the 1969 Panarctic Drake Point gas discovery on the Sabine Peninsula of Melville Island.

The Hecla discovery well, located on Melville Island approximately 25 miles west of the original Drake Point discovery, was reported to have produced gas at flow rates up to 20 MMcf. per day. The two follow-up wells, Drake Point F-16 and Drake B-44, are located 6 miles and 11 miles south-east respectively of the Drake Point discovery. Drake Point F-16 produced gas on production test up to 40 MMcf. per day. Drake B-44 produced gas on drillstem test at the rate of 5.5 MMcf. per day but was not production tested. Prairie Oil Royalties Company, Ltd. has a 3.15% interest in these three wells.

## **Tuktoyaktuk Peninsula**

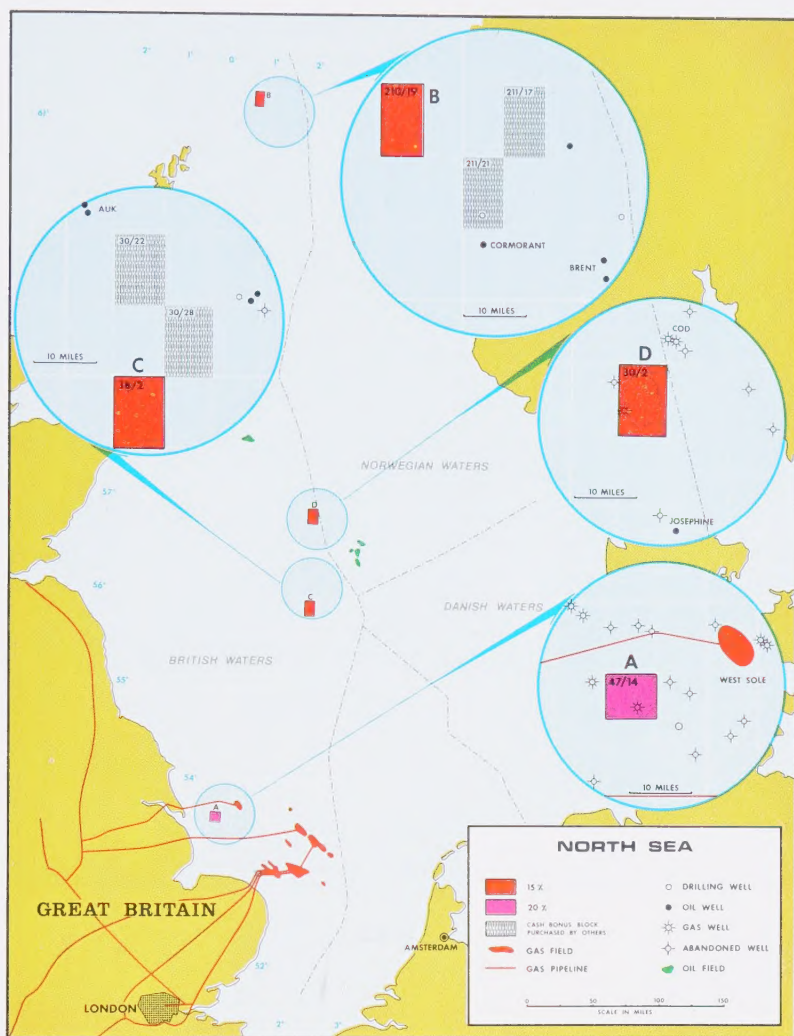
During the year, the Company contracted with Imperial Oil Ltd. for a multi-million dollar farm-in covering certain lands owned by Imperial in the Tuktoyaktuk Peninsula on the Canadian Arctic coast. For incurring the cost of drilling 6 exploratory test wells, and conducting a limited seismic program, the Company will earn an undivided 20% interest in approximately 155,000 acres. The first two wells, Imp CIGOL Akku F-14 and Imp CIGOL Kanguk F-42, have been drilled and abandoned. A third well will be drilled before the end of the 1972-73 winter drilling season. The remaining three wells are planned for the 1973-74 winter drilling season so that the program should be completed prior to the end of 1974.

## **North Sea**

A 20% interest is held by the Company in a portion of Block 47/14 containing 36,398 acres, located approximately 32 miles east-northeast of Grimsby, England, and some 20 miles from the nearest point of land. In October, 1972, the Company participated in the drilling of a gas discovery which flowed at the rate of 22.7 MMcf. per day on drillstem test. In order to further evaluate the significance of the discovery, a detailed seismic program has been carried out and two follow-up wells are scheduled for 1973, the first to be commenced in March.

The Company is a member of a British and Canadian consortium which was awarded a licence comprising Blocks 210/19 and 38/2 in the British sector of the North Sea. The Company has a 15% interest in each of the two blocks.





Block 210/19 containing 48,928 acres, is approximately 60 miles north-east of the Shetland Islands in water depths ranging from 540 to 600 feet. Four wells have been drilled within 38 miles of the perimeter of the block, all of which have been announced as oil wells and which resulted in three separate oil discoveries — Brent, Cormorant and Halibut. Block 38/2 containing 57,450 acres, is approximately 160 miles northeast of Newcastle-upon-Tyne, England, in water depths ranging from 250 to 285 feet. Sixteen wells have been drilled within 40 miles of this block resulting in 5 oil wells and 1 temporary suspension. Detailed seismic work has been completed on both of the above blocks but as suitable drilling equipment is not available, planned exploratory drilling will not be possible until 1974.

### Adriatic

The Company holds a 100% interest in three permits and a 10% interest in another permit, all located in the Italian sector of the Adriatic Sea. As a result of a seismic survey completed early in the year a well was drilled and abandoned in 1973. An assessment of the information obtained by the drilling of this well is required to determine the extent of further exploration on these permits.

## **Ireland**

The Company has an 11.5% interest in an international consortium which plans to conduct exploration work off the coast of the Republic of Ireland.

## **Tunisia**

A 38% interest is held in three separate permits, two offshore and one in the western Desert, containing 3,527,599 acres. An application has been made to enlarge the onshore permit from 1,183,115 to 1,654,900 acres. Reconnaissance seismic programs have been conducted on all three permits. Detailed marine seismic programs have been conducted on a portion of the acreage to further delineate anomalous areas, and two exploratory tests are planned for 1973.

## **Sicily**

Early in the year the Company was granted a permit containing 73,960 acres off the west coast of Sicily in the Mediterranean Sea. An arrangement has been made by which another company has carried out a seismic program and has the right to drill a 10,000 foot exploratory test to earn an interest in the permit.

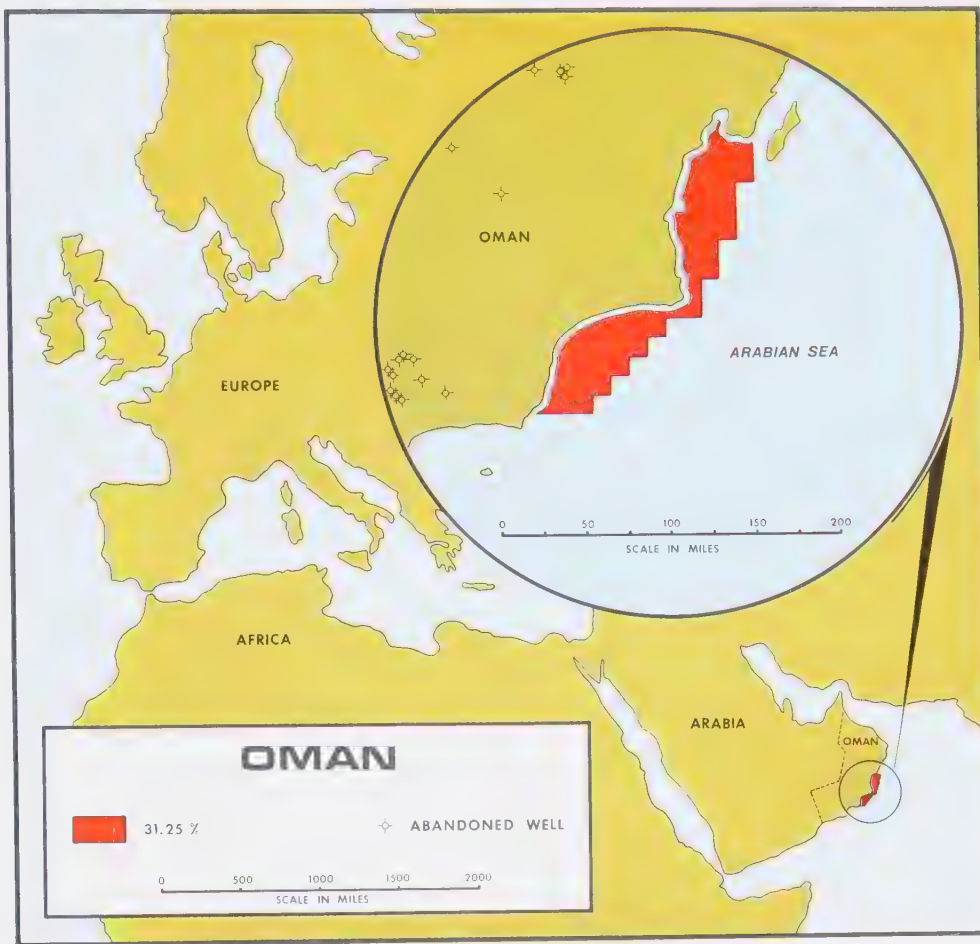
## **Malta**

An exploration and production licence containing 426,322 acres was granted in 1971 by the Maltese Government to a group in which the Company has a 21.25% interest. During the early part of 1972, a 14,452 foot exploratory test well was drilled on the property and abandoned after failing to find oil or gas. All work commitments have been fulfilled on this licence to May, 1975, and at present the group has no plans for further exploration. However, it is expected that there will be considerable drilling activity by other companies on the nearby Sicilian Shelf which may assist in the further evaluation of this concession.

## **Oman**

In 1973, the Company, together with other members of an international consortium, signed a petroleum agreement with the Sultan of Oman covering the exploration of an offshore area of approximately 3,335,850 acres. The Company has a 31.25% interest in the consortium and it is anticipated that a seismic program will be commenced shortly.





*The Neptune-Gascogne drilled the Company well in Adriatic.*

## Land

The Company's land holdings at December 31, 1972, were 20.1 million gross acres (11.0 million net) as compared to 23.4 million gross acres (14.2 million net) at the end of the preceding year. The following table gives the acreage holdings at December 31, 1972:

Area	Leases		Reservations, Permits & Licences		Total		Net Carried Interests		Mineral Acres		Gross Royalty
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
CANADIAN ARCTIC . . .	143,216	13,409	3,971,904	1,297,215	4,115,120	1,310,624	—	—	—	—	—
AMUNDSEN GULF . . .	—	—	1,001,435	1,001,435	1,001,435	1,001,435	—	—	—	—	—
BANKS ISLAND . . .	—	—	1,709,993	1,320,082	1,709,993	1,320,082	—	—	—	—	—
NORTHWEST TERRITORIES . . .	—	—	436,024	94,898	436,024	94,898	—	—	—	—	18,021
BEAUFORT SEA . . .	—	—	411,727	330,528	411,727	330,528	—	—	—	—	—
LABRADOR - Offshore . . .	—	—	1,030,978	1,030,978	1,030,978	1,030,978	—	—	—	—	—
EAST COAST - Flemish Pass . . .	—	—	1,029,200	1,029,200	1,029,200	1,029,200	—	—	—	—	—
YUKON . . . . .	—	—	381,646	306,285	381,646	306,285	—	—	5,475	1,368	—
HUDSON BAY . . .	—	—	610,112	610,112	610,112	610,112	—	—	—	—	—
TUKTOYAKTUK . . .	—	—	155,794	31,159	155,794	31,159	—	—	—	—	—
ONTARIO . . . . .	4,252	4,252	1,890	1,890	6,142	6,142	—	—	—	—	—
MANITOBA . . . . .	77,644	24,231	—	—	77,644	24,231	42	9	—	—	960
SASKATCHEWAN . . .	176,274	99,027	345,110	242,330	521,384	341,357	80	22	—	—	630,521
ALBERTA . . . . .	2,483,638	951,740	876,892	612,719	3,360,530	1,564,459	269,438	7,419	32,640	20,979	343,174
BRITISH COLUMBIA . .	393,139	111,487	485,370	270,212	878,509	381,699	257,988	11,743	2,200	2,200	33,168
NORTH SEA . . . . .	—	—	198,645	31,616	198,645	31,616	—	—	—	—	—
WALES . . . . .	—	—	—	—	—	—	—	—	2,110	2,110	—
ADRIATIC . . . . .	—	—	82,117	42,934	82,117	42,934	—	—	—	—	—
MALTA . . . . .	—	—	426,322	90,593	426,322	90,593	—	—	—	—	—
TUNISIA . . . . .	—	—	3,527,599	1,340,488	3,527,599	1,340,488	—	—	—	—	—
SICILY . . . . .	—	—	73,960	73,960	73,960	73,960	—	—	—	—	—
ITALY . . . . .	—	—	30,937	3,094	30,937	3,094	—	—	—	—	—
	<u>3,278,163</u>	<u>1,204,146</u>	<u>16,787,655</u>	<u>9,761,728</u>	<u>20,065,818</u>	<u>10,965,874</u>	<u>527,548</u>	<u>19,193</u>	<u>42,425</u>	<u>26,657</u>	<u>1,025,844</u>

Applications for Leases in Alaska covering 957,512 gross acres (299,222 net acres) are awaiting acceptance, and are not included in the above table.

Above figures do not include Elf Oil lands, listed as follows, in which the Company has a 10% interest.

Area	Gross Acres	Acres Net to Elf	Area	Gross Acres	Acres Net to Elf
ARCTIC ISLANDS . . . . .	24,655,864	13,790,878	BEAUFORT SEA . . . . .	872,623	410,166
OFFSHORE EAST COAST . . .	4,339,857	2,842,786	ALBERTA . . . . .	613,105	181,422
MACKENZIE DELTA . . . . .	4,814,017	3,439,677	HUDSON BAY . . . . .	21,623,456	1,680,268
BRITISH COLUMBIA . . . . .	938,017	236,358	TOTAL ELF ACREAGE . . .	57,856,939	22,581,555



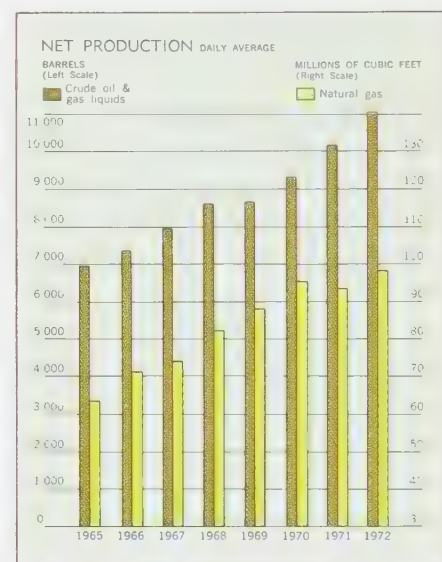
## Production

Crude oil and gas liquids production for the year, after deduction of all royalties, increased 9% to 11,095 barrels per day compared to 10,162 barrels per day in 1971. Crude oil production averaged 10,104 barrels per day, condensate 481 barrels per day, and propane and butane 510 barrels per day. Natural gas production, after deduction of all royalties, averaged 98.8 MMcf. per day compared to 93.4 MMcf. per day in 1971, an increase of 6%. Net sulphur production from gas processing plants was 14,680 long tons compared to 13,690 long tons in 1971.

In November 1972 the wellhead price of crude oil increased 10¢ per barrel. Subsequent to year-end, a further 20¢ per barrel increase was announced by crude oil purchasers. Negotiations have commenced with purchasers on several gas purchase contracts which call for price redetermination in 1973.

The installation of waterflood facilities in the Countess-Lathom area of Alberta has been completed on virtually all the oil producing properties of Frisco Petroleum Ltd. Under waterflood, net production has increased substantially with the Company's net share after royalty now exceeding 2,100 barrels per day.

## OPERATIONS REVIEW



## Crude Oil & Gas Liquids Production

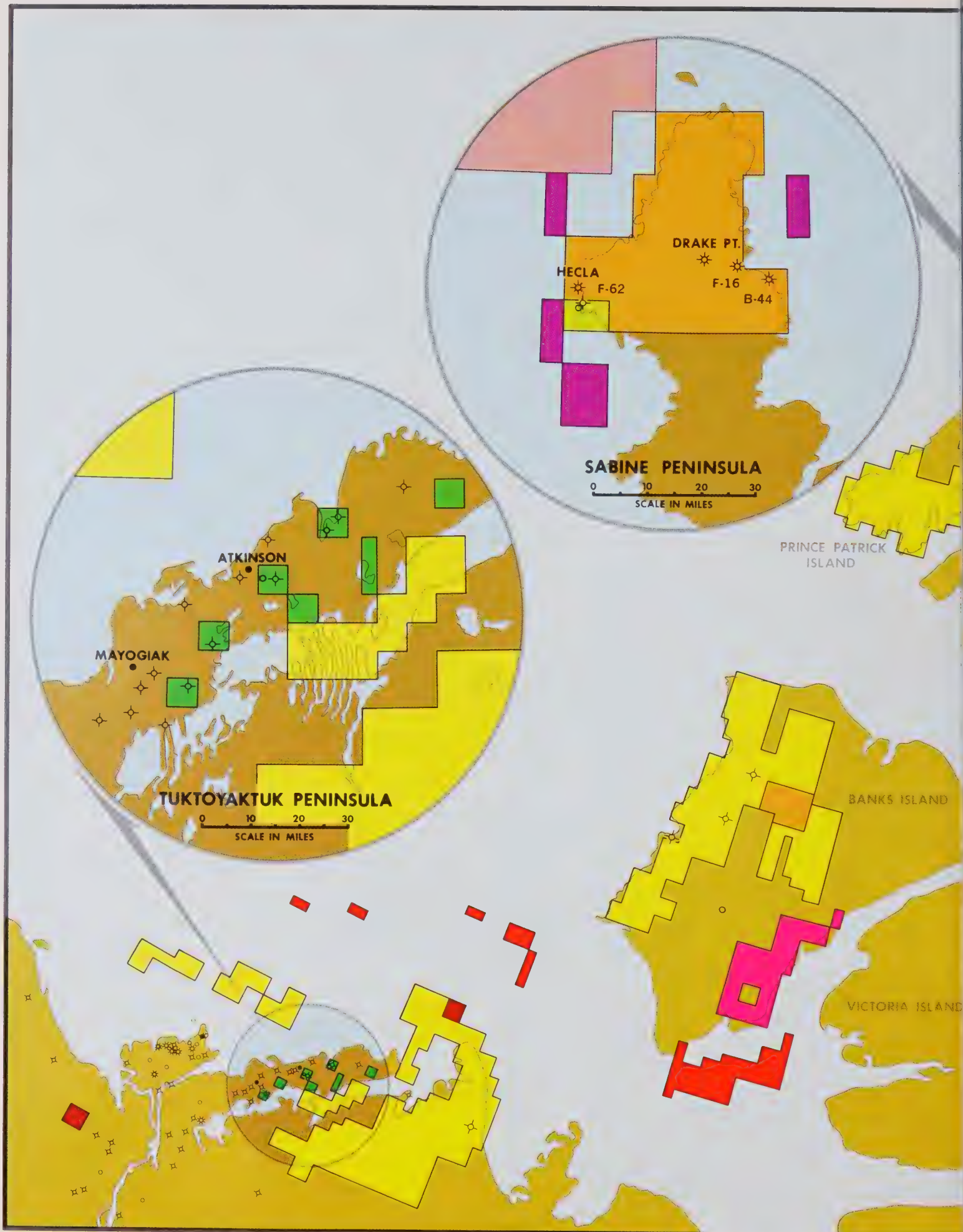
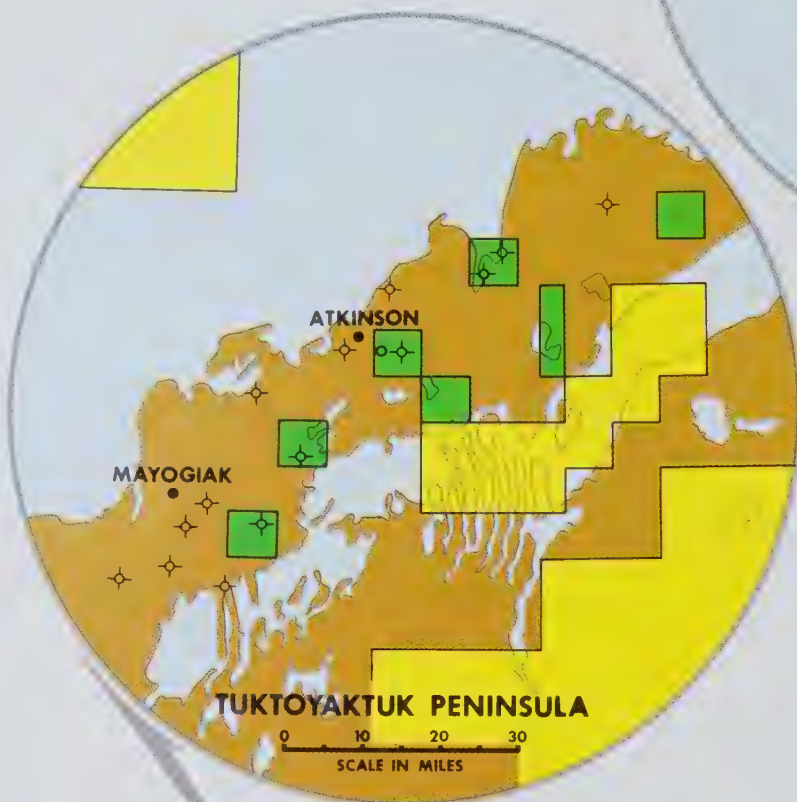
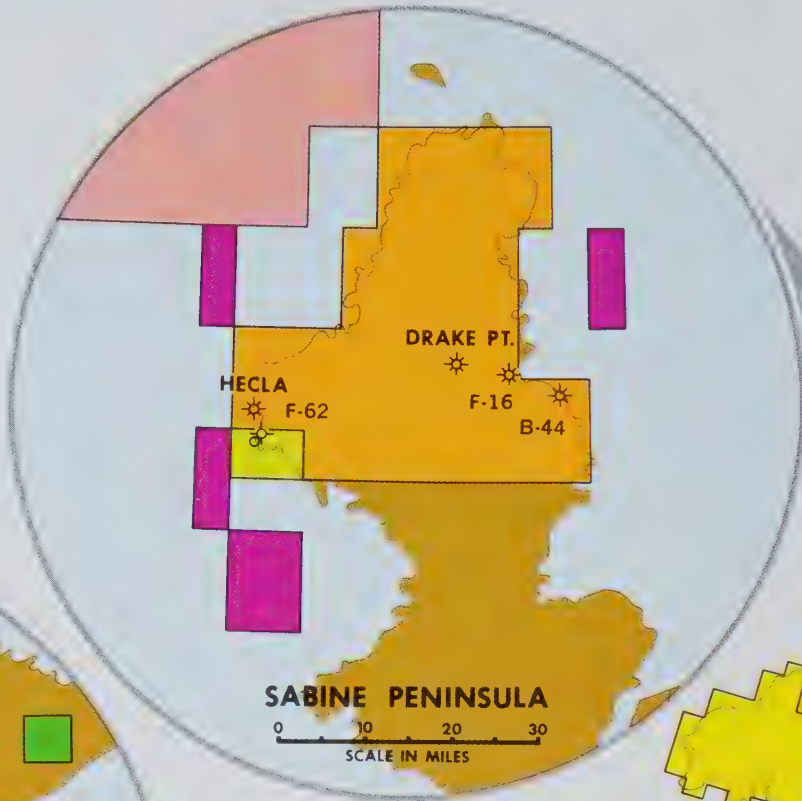
Barrels Per Day (Net)

	1972	1971
<b>ALBERTA</b>		
Countess-Lathom . . . . .	1,509	637
Pembina . . . . .	974	1,032
Joarcam . . . . .	772	595
Swan Hills . . . . .	526	425
Simonette . . . . .	463	350
Redwater . . . . .	304	263
Joffre . . . . .	215	184
Swalwell . . . . .	195	141
Leduc . . . . .	186	157
West Drumheller . . . . .	169	127
Provost . . . . .	154	108
Golden . . . . .	125	33
Other Fields . . . . .	1,009	1,017
Royalty Interests . . . . .	78	86
Condensate . . . . .	481	483
Propane & Butane . . . . .	510	533
	<u>7,670</u>	<u>6,171</u>
<b>SASKATCHEWAN</b>		
Weyburn . . . . .	503	529
Hazlet . . . . .	250	166
West Kingsford . . . . .	196	191
Queensdale . . . . .	104	109
Other Fields . . . . .	301	285
Royalty Interests . . . . .	776	866
	<u>2,130</u>	<u>2,146</u>
<b>BRITISH COLUMBIA</b>		
Peejay . . . . .	979	1,313
Other Fields . . . . .	256	465
Royalty Interests . . . . .	43	48
	<u>1,278</u>	<u>1,826</u>
<b>OTHER AREAS</b>		
	17	19
	<u>11,095</u>	<u>10,162</u>

## Natural Gas Production

Millions of Cubic Feet Per Day (Net)

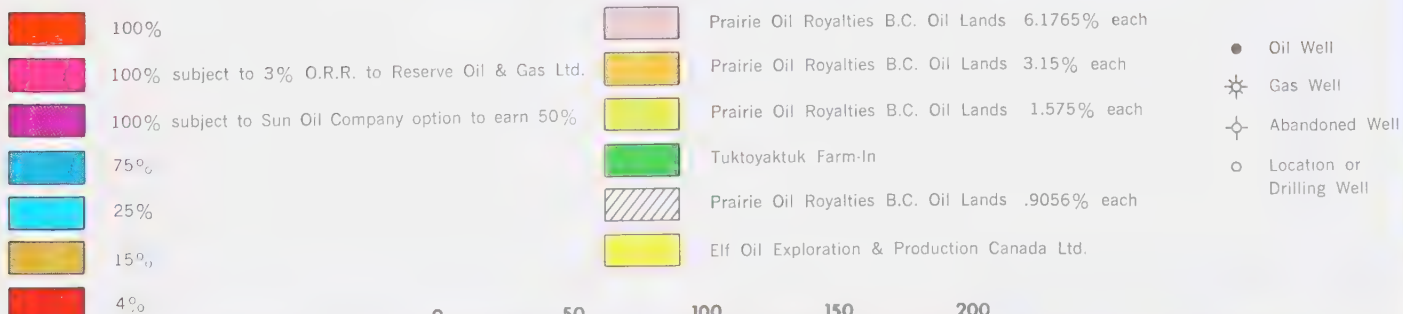
	1972	1971
<b>ALBERTA</b>		
Westlock . . . . .	15.4	14.1
Fort Saskatchewan . . . . .	10.2	10.1
Ghost Pine . . . . .	6.7	7.0
Bindloss . . . . .	6.5	7.2
Nevis . . . . .	6.3	5.5
Bittern Lake . . . . .	6.1	6.5
Alexander . . . . .	4.4	2.6
Crossfield . . . . .	3.7	3.8
Craigend . . . . .	3.6	3.3
Campbell . . . . .	2.0	2.0
Pouce Coupe . . . . .	1.9	2.5
St. Albert . . . . .	1.9	2.9
Other Fields . . . . .	18.2	11.9
Royalty Interests . . . . .	2.1	2.6
	<u>89.0</u>	<u>82.0</u>
<b>BRITISH COLUMBIA</b>		
Jedney-Bubbles-E.Laprise . . . . .	7.9	9.1
Other Fields . . . . .	0.8	1.0
	<u>8.7</u>	<u>10.1</u>
<b>OTHER AREAS</b>		
	1.1	1.3
	<u>98.8</u>	<u>93.4</u>





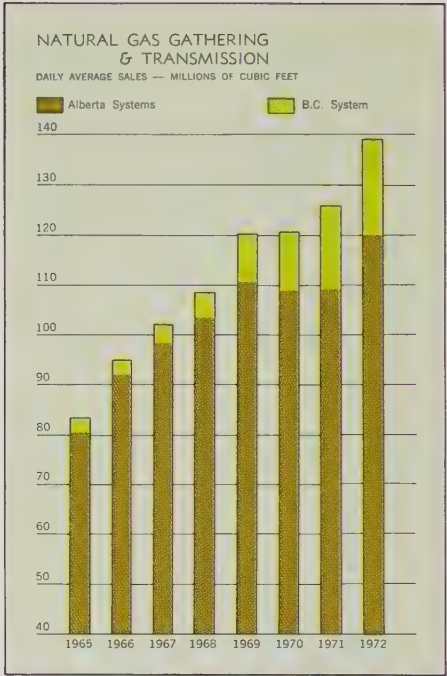


## CANADIAN ARCTIC



Natural Gas Gathering and Transmission

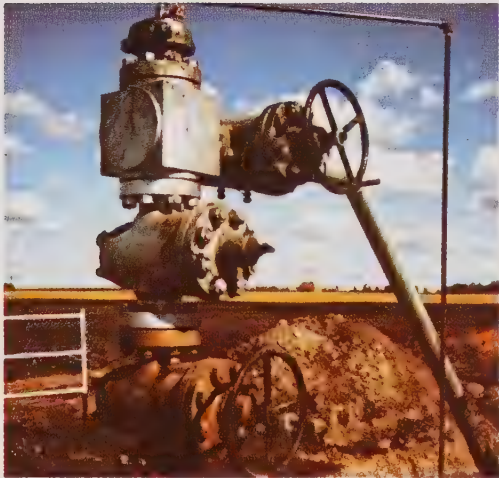
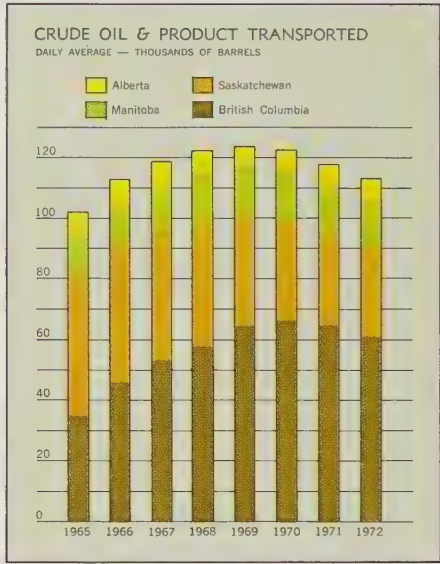
Sales of natural gas through the Company's industrial gas system near Edmonton, Alberta, averaged 119.5 MMcf. per day, an increase of 10% over 1971. Sales of natural gas through the Company's utilities systems increased 19% to 19.9 MMcf. per day.



Oil Gathering and Transmission

Crude oil and product transported averaged 113,400 barrels per day compared to 117,600 in 1971. Transported volumes by provinces were as follows:

	Barrels/day
British Columbia . . . . .	60,900
Alberta . . . . .	8,000
Saskatchewan . . . . .	29,600
Manitoba . . . . .	14,900
	<u>113,400</u>

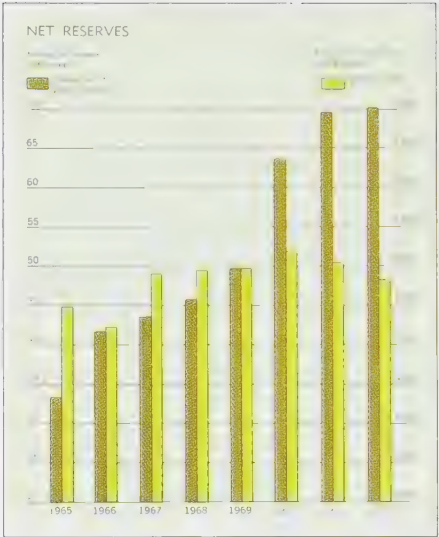




Reserves

The Company's net crude oil and gas liquids reserves and natural gas reserves as estimated by Company engineers at year-end were 70,216,000 barrels and 582,200 MMcf., as compared to 1971 year-end reserves of 69,733,000 barrels and 603,700 MMcf. The total estimates include 60,919,000 barrels of proven reserves plus 9,297,000 barrels representing 50% of the probable reserves and 573,100 MMcf. of proven reserves plus 9,100 MMcf representing 50% of the probable additional reserves. The estimates include developed and undeveloped reserves. However, no gas reserves have been included for discoveries made in the Canadian Arctic nor the North Sea.

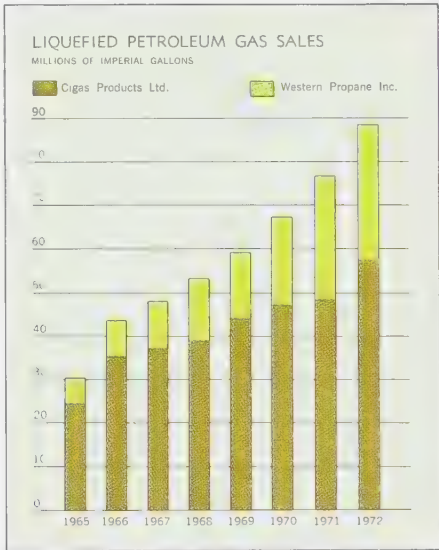
The Company's net reserves of crude oil and gas liquids and natural gas as estimated by McDaniel Consultants (1965) Ltd. at year-end were 54,189,000 barrels of proven reserves and 16,339,000 barrels of probable additional reserves and 516,700 MMcf. of proven reserves and 49,300 MMcf. of probable additional reserves. No gas reserves have been included for discoveries made in the Canadian Arctic nor the North Sea.



Liquefied Petroleum Gas

Sales increased 16% from 76,500,000 gallons in 1971 to 88,400,000 gallons in 1972 which reflects the generally improved economy in the agricultural areas of western Canada served by the Company and the increasing requirements in the construction, mining and forest products industries.

The combination of increased operating and product costs necessitated implementation of price increases at the consumer level. It is anticipated that the cost of product will continue to increase in line with oil and natural gas price increases which may require further adjustments in selling prices. Future supplies of product are expected to be adequate.



## Results of Operations — 1972

Revenue, cash flow and net earnings were \$47,431,798, \$19,475,575 and \$10,719,761 respectively. Cash and net earnings of 90¢ and 50¢ per common share compare to the 1971 figures of 81¢ and 47¢. Increased revenue resulted primarily from greater oil and gas production and liquefied petroleum gas sales. Net earnings reflected the deduction of an extraordinary item of \$305,882 which refers to the loss suffered in writing off the costs incurred on an experimental propane storage facility which has been abandoned.

Expenditures for drilling and exploration activities and in oil and gas property acquisitions amounted to \$9,652,740, details of which are as follows:

	Exploration	Lease Acquisition	Development	Total
	\$	\$	\$	\$
Western Canada .....	3,497,867	1,445,818	1,311,055	6,254,720
Arctic .....	1,827,805	9,344	—	1,837,149
Adriatic & Malta .....	1,170,772	—	—	1,170,772
North Sea .....	390,099	—	—	390,099
	<u>\$6,886,543</u>	<u>\$1,455,162</u>	<u>\$1,311,035</u>	<u>\$9,652,740</u>

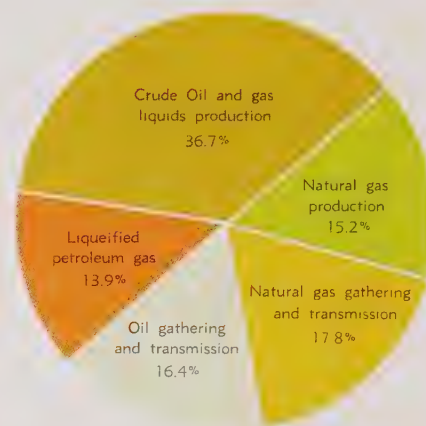
In addition, \$4,993,981 was spent in the Arctic through Elf Oil Exploration and Production Canada Ltd. and Panarctic Oils Ltd. Plant and Equipment expenditures in western Canada were \$6,430,353.

## Proposed Financing

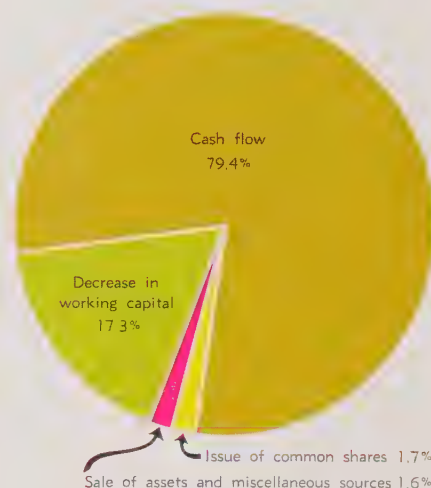
The Management of the Company has felt for some time that it would be desirable to have additional money in order to expand its exploration activities in the Canadian frontier areas and other parts of the world. It was concluded that there should be a source for these funds other than from cash flow from existing operations or from debt serviced by present revenue-producing assets. For this purpose, CIGOL International Ltd., a wholly-owned subsidiary, was reorganized so that it presently owns acreage in the Canadian frontier areas and other parts of the world. In November, 1972, a preliminary Prospectus of CIGOL International was filed with the appropriate Canadian and United States Securities Commissions in anticipation of a public offering of securities. The preliminary Prospectus refers to the sale of convertible subordinated debentures and common shares for approximately \$30,000,000 (U.S.) before underwriting commissions and expenses. The Company is to guarantee payment of the debentures on a subordinated deferred basis. Assuming the immediate conversion of all of the debentures and the issuance of the common shares subscribed for, the Company would own 69% and the public would own 31% of the outstanding shares.

## FINANCIAL REVIEW

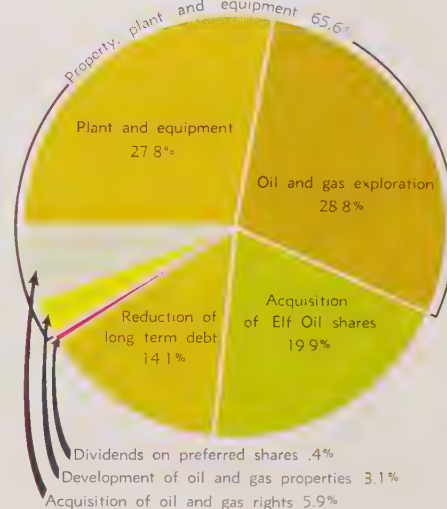
CASH FLOW



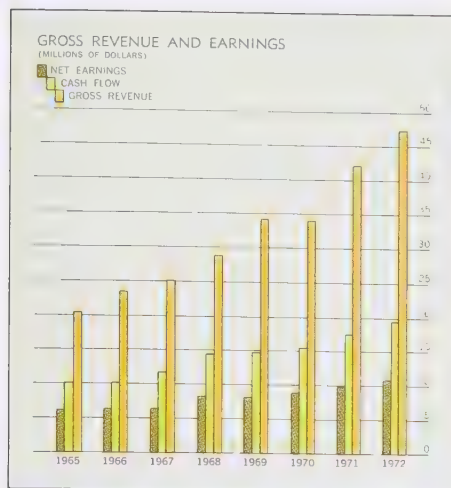
SOURCE OF FUNDS



APPLICATION OF FUNDS







## AUDITORS' REPORT

To the Shareholders

Canadian Industrial Gas & Oil Ltd.

We have examined the consolidated balance sheet of Canadian Industrial Gas & Oil Ltd. and subsidiary companies as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.  
February 9, 1973.

RIDDELL, STEAD & CO.  
Chartered Accountants

## as at December 31, 1972

CURRENT ASSETS	<u>1972</u>	<u>1971</u>
Cash and short-term deposits . . . . .	\$ 3,941,802	\$ 4,021,347
Accounts and notes receivable . . . . .	8,884,236	7,290,445
Inventories of merchandise and supplies, at lower of cost or replacement cost . . . . .	2,202,416	2,094,411
Prepaid expenses and deposits . . . . .	568,158	570,915
	<u>15,596,612</u>	<u>13,977,118</u>
INVESTMENTS, at cost (Note 2) . . . . .	<u>17,916,061</u>	<u>12,911,083</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (Notes 1 and 3) . . . . .	174,866,795	161,040,370
Accumulated depletion and depreciation . . . . .	67,363,966	60,264,422
	<u>107,502,829</u>	<u>100,775,948</u>
OTHER ASSETS . . . . .	<u>582,608</u>	<u>232,931</u>
	<u>\$141,598,110</u>	<u>\$127,897,080</u>

Signed on behalf of the Board:

E. A. Galvin, Director

E. G. Battle, Director



# Canadian Industrial Gas & Oil Ltd.

and Subsidiary Companies

## Liabilities

	1972	1971
<b>CURRENT LIABILITIES</b>		
Accounts and notes payable and accrued charges . . . . .	\$ 7,389,887	\$ 6,562,923
Preferred dividend payable . . . . .	42,721	46,177
Income taxes . . . . .	221,167	289,650
Current maturities on bank loans and long-term debt (Notes 4 and 5) . . . . .	3,786,358	4,686,634
Due to parent company . . . . .	6,015,743	—
Deferred income . . . . .	598,528	607,970
	<u>18,054,404</u>	<u>12,193,354</u>
<b>BANK LOANS (Note 4) . . . . .</b>	<u>11,128,220</u>	<u>13,241,000</u>
<b>LONG-TERM DEBT (Note 5) . . . . .</b>	<u>11,411,856</u>	<u>12,765,910</u>
<b>MINORITY INTEREST IN SUBSIDIARY COMPANIES . . . . .</b>	<u>2,477,909</u>	<u>2,432,550</u>
<b>CONTRIBUTION IN AID OF CONSTRUCTION . . . . .</b>	<u>125,331</u>	<u>115,182</u>
<b>DEFERRED INCOME TAXES (Note 8) . . . . .</b>	<u>1,220,823</u>	<u>1,009,620</u>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 9) . . . . .</b>		
<b>Shareholders' Equity</b>		
<b>CAPITAL STOCK (Note 6)</b>		
Authorized		
500,000 5½% cumulative redeemable convertible voting preferred shares, par value \$10 each		
50,000,000 common shares without par value		
Issued		
154,963 preferred shares . . . . .	1,549,630	1,676,160
21,264,674 common shares . . . . .	27,716,650	27,183,450
	<u>29,266,280</u>	<u>28,859,610</u>
<b>CONTRIBUTED SURPLUS . . . . .</b>	<u>956,237</u>	<u>956,237</u>
<b>RETAINED EARNINGS (Notes 7 and 8) . . . . .</b>	<u>66,957,050</u>	<u>56,323,617</u>
	<u>97,179,567</u>	<u>86,139,464</u>
	<u>\$141,598,110</u>	<u>\$127,897,080</u>

## CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1972

	1972	1971
SALES, SERVICE AND OTHER OPERATING REVENUE . . . . .	\$47,431,798	\$42,086,416
COSTS AND EXPENSES		
Gas and other merchandise purchased . . . . .	13,273,028	11,077,398
Selling, operating and administrative expenses . . . . .	12,511,220	11,388,557
Interest . . . . .	2,026,609	2,033,705
Depletion . . . . .	4,867,669	3,985,689
Depreciation . . . . .	3,276,861	3,055,653
Minority interest . . . . .	135,017	265,315
	36,090,404	31,806,317
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM . . . . .	11,341,394	10,280,099
Income taxes (Note 8) . . . . .	315,751	390,983
EARNINGS BEFORE EXTRAORDINARY ITEM . . . . .	11,025,643	9,889,116
EXTRAORDINARY ITEM		
Loss on abandonment of propane storage facilities . . . . .	305,882	—
NET EARNINGS . . . . .	\$10,719,761	\$ 9,889,116
PER COMMON SHARE — based on weighted average number of common shares outstanding		
Earnings before extraordinary item . . . . .	\$.51	\$.47
Net earnings . . . . .	\$.50	\$.47

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1972

	1972	1971
BALANCE AT BEGINNING OF YEAR, as previously reported . . . . .	\$56,538,617	\$47,813,159
Adjustments of prior years' income taxes of subsidiary companies . . . . .	215,000	215,000
BALANCE AT BEGINNING OF YEAR, as restated . . . . .	56,323,617	47,598,159
Net earnings . . . . .	10,719,761	9,889,116
	67,043,378	57,487,275
Dividends — preferred shares of the Company . . . . .	86,328	105,450
— common shares of a subsidiary . . . . .	—	1,058,208
	86,328	1,163,658
BALANCE AT END OF YEAR (Notes 7 and 8) . . . . .	\$66,957,050	\$56,323,617



# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1972

	<u>1972</u>	<u>1971</u>
FUNDS DERIVED FROM		
Operations		
Earnings before extraordinary item . . . . .	\$11,025,643	\$ 9,889,116
Charges not requiring funds . . . . .	<u>8,449,932</u>	<u>7,589,779</u>
FUNDS GENERATED FROM OPERATIONS . . . . .	19,475,575	17,478,895
Sale of fixed assets . . . . .	560,353	643,282
Issue of common shares for cash . . . . .	406,670	243,333
Issue of common shares for acquisition of balance of subsidiary's shares . . . . .	—	950,000
Disposal of share investment . . . . .	—	285,423
Other . . . . .	<u>35,741</u>	<u>109,363</u>
	<u>20,478,339</u>	<u>19,710,296</u>
FUNDS APPLIED TO		
Oil and gas properties . . . . .	9,267,132	10,588,761
Plant and equipment . . . . .	6,815,961	8,449,173
Investments . . . . .	4,993,981	5,086,865
Bank loans reductions (additions) — net . . . . .	2,112,780	(1,128,500)
Long-term debt reductions . . . . .	1,354,054	799,315
Reduction of minority interest in subsidiary companies . . . . .	89,658	165,629
Dividends — preferred shares of Company . . . . .	86,329	105,450
— common shares of subsidiary . . . . .	—	1,058,208
Distribution of capital by subsidiary . . . . .	<u>—</u>	<u>744,250</u>
	<u>24,719,895</u>	<u>25,869,151</u>
DECREASE IN WORKING CAPITAL . . . . .	<u>\$ 4,241,556</u>	<u>\$ 6,158,855</u>

# NOTES TO 1972 CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 — ACCOUNTING POLICIES

### Principles of Consolidation

The consolidated financial statements include the accounts of Canadian Industrial Gas & Oil Ltd. (the Company) and all of its subsidiaries. All subsidiaries are wholly-owned at December 31, 1972 with the exception of Prairie Oil Royalties Company, Ltd., Parys Mountain Mines Limited and Trans-Prairie Pipelines, Ltd., in which the Company has a 74%, 69% and 97% interest respectively. The excess of the cost of shares of purchased subsidiaries over the underlying net book value of their assets at dates of acquisition has been included in property, plant and equipment and is being systematically amortized on the same basis as the related assets.

### Depletion

The companies follow the practice of capitalizing both productive and non-productive costs related to the exploration for and the development of oil and gas reserves, and of depleting such costs on a composite unit of production method based on total estimated recoverable reserves. Costs related to exploration for and development of mining properties are capitalized and charged to earnings if the project or property is abandoned.

### Depreciation

Depreciation of pipelines, plants and equipment is being provided at rates which will amortize original costs over the estimated useful lives of the respective assets.

### Foreign Exchange

Amounts in foreign currency are converted to Canadian dollars on the following basis:

- (i) Current assets and current liabilities, at the rate of exchange as at the balance sheet date.
- (ii) Fixed assets, at the rate of exchange at the date of acquisition.
- (iii) Long-term debt payable in foreign currencies, at the rate of exchange applicable at date incurred.
- (iv) Revenue and expenses, at the average rate of exchange for the period.

## Note 2 — INVESTMENTS

Investments at December 31, 1972 include 1,020,000 common shares and 1,860 preferred shares of Elf Oil Exploration and Production Canada Ltd. (Elf). On November 22, 1969, the Company entered into an agreement to subscribe for a share interest in Elf. The consideration for the Elf shares was the commitment by the Company to incur over a five-year period drilling and exploration expenses on petroleum and natural gas rights in Canada owned or controlled by Elf in an aggregate amount of \$23.5 million approximating \$4.7 million per annum. The agreement contains provisions for the acceleration of the programmed expenditures and, under certain circumstances, for the incurring of additional expenditures. A total of \$14.4 million has been incurred on drilling and exploration expenses and is included as the cost of Elf shares at December 31, 1972. The expenditures are allowable to the Company as deductions for income tax purposes.

Also included under this caption at December 31, 1972 are 333,531 shares of British Columbia Oil Lands Ltd. (approximately 35% of that company's outstanding capital stock) at a cost of \$2 million with an approximate market value of \$2.8 million. Because of the number of shares of British Columbia Oil Lands Ltd. involved, the market value is not necessarily indicative of the amount that would be realized on sale.

## Note 3 — PROPERTY, PLANT AND EQUIPMENT

	1972			1971
	Cost	Accumulated Depletion and Depreciation	Net	Net
Oil and gas properties . . . . .	\$101,474,567	\$33,141,692	\$ 68,332,875	\$ 64,006,874
Oil and gas production equipment . . . . .	18,443,750	9,585,144	8,858,606	5,989,615
Pipelines and processing plants . . . . .	27,710,127	18,709,970	9,000,157	9,771,047
Propane marketing equipment . . . . .	18,389,764	4,829,491	13,560,273	13,533,894
Gas utility facilities . . . . .	8,848,587	1,097,669	7,750,918	7,474,518
	<u>\$174,866,795</u>	<u>\$67,363,966</u>	<u>\$107,502,829</u>	<u>\$100,775,948</u>



#### Note 4 — BANK LOANS

	1972	1971
Canadian Industrial Gas & Oil Ltd. and wholly-owned subsidiaries (see below)	\$11,962,235	\$15,029,000
Trans-Prairie Pipelines, Ltd. and subsidiary, secured by a general assignment of accounts receivable and by Series "D" First Mortgage Sinking Fund Bonds (see Note 5)	1,609,000	1,648,000
	13,571,235	16,677,000
Current maturities included in current liabilities	2,443,015	3,436,000
	<u>\$11,128,220</u>	<u>\$13,241,000</u>

Loans of Canadian Industrial Gas & Oil Ltd. and wholly-owned subsidiaries, from Canadian banks in the amount of \$9,275,000 at December 31, 1972, are evidenced by demand notes and are secured by assignment under Section 82 of the Bank Act (Canada) covering certain producing oil and gas properties together with a general assignment of accounts receivable. While the loans are payable on demand the companies have informal understandings with the banks that these loans will be paid in monthly instalments of \$100,000 at December 31, 1972 increasing to \$175,000 in 1974 and to \$300,000 in 1975, plus interest.

Bank loan maturities for each of the four years subsequent to 1973 are as follows:

1974 — \$3.0 million, 1975 — \$2.9 million, 1976 — \$2.9 million, 1977 — \$1.6 million.

#### Note 5 — LONG-TERM DEBT

Canadian Industrial Gas & Oil Ltd. and wholly-owned subsidiaries	1972	1971
5 $\frac{7}{8}$ % First Mortgage Sinking Fund Bonds, due February 1, 1983 (\$8,075,000 (U.S.)) subject to semi-annual sinking fund payments of \$325,000 (U.S.)	\$ 8,695,322	\$ 9,395,254
Advance for drilling costs — interest-free, repayable October 1, 1982 (net of parent company share — \$455,709; 1971 affiliated company — \$500,000)	911,420	1,000,000
Other	862,457	939,290
<b>Trans-Prairie Pipelines, Ltd. and subsidiary</b>		
First Mortgage Sinking Fund Bonds:		
6% Series "A" due June 1, 1982, subject to annual sinking fund payments of \$57,000	1,590,000	1,622,500
6 $\frac{1}{2}$ % Series "C" due February 1, 1976, subject to annual sinking fund payments of \$250,000	495,000	760,000
Sinking Fund Debentures:		
6 $\frac{1}{4}$ % Series "A" due February 1, 1976, subject to annual sinking fund payments of \$80,000	201,000	299,500
	12,755,199	14,016,544
Current maturities included in current liabilities	1,343,343	1,250,634
	<u>\$11,411,856</u>	<u>\$12,765,910</u>

Trans-Prairie Pipelines, Ltd. has authorized the creation and issue of \$3,500,000 7 $\frac{1}{2}$ % Series "D" First Mortgage Sinking Fund Bonds due March 1, 1983, all of which are held by the bank as collateral for existing bank loans of Trans-Prairie Pipelines, Ltd. in the amount of \$1,184,000.

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1973 are as follows:

1974 — \$1.1 million, 1975 — \$.8 million, 1976 — \$1.2 million, 1977 — \$.8 million.

#### Note 6 — CAPITAL STOCK

Changes in the Company's share capital during the year ended December 31, 1972 were as follows:

	Preferred Shares		Common Shares	
	Number of Shares	Book Value	Number of Shares	Book Value
Balance, January 1, 1972	167,616	\$1,676,160	21,112,027	\$27,183,450
Issued for cash on exercise of options	—	—	122,280	406,670
Issued on conversion of preferred shares into common shares	(12,653)	(126,530)	30,367	126,530
Balance, December 31, 1972	<u>154,963</u>	<u>\$1,549,630</u>	<u>21,264,674</u>	<u>\$27,716,650</u>

Unissued common shares of the Company are reserved at December 31, 1972 as follows:

371,911	for conversion of preferred shares into common shares until July 1, 1973 at the rate of twelve common shares for five preferred shares, after which date the preferred shares are redeemable at par. Of the authorized preferred shares, 303,802 shares had been issued and surrendered for conversion to December 31, 1972 and are not available for reissue.
341,872	for incentive stock option plans for Company officers and key employees, of which options to purchase 17,250 shares were outstanding at December 31, 1972 exercisable at \$3.33 $\frac{1}{3}$ per share from time to time to October 26, 1973 and market growth options to purchase 167,500 shares from time to time to May, 1978 at prices ranging from \$8.50 to \$11.00 per share.
<u>713,783</u>	

#### **Note 7 — DIVIDEND RESTRICTIONS**

The terms of the Deed of Trust and Mortgage securing the Company's First Mortgage Sinking Fund Bonds restrict the amount of retained earnings available for dividends as at December 31, 1972 to approximately \$54 million.

#### **Note 8 — INCOME TAXES**

For income tax purposes the companies have claimed drilling, exploration and lease acquisition costs and capital cost allowances in amounts which, in the aggregate, exceed the related depletion and depreciation provisions reflected in the accounts. As a result income taxes for the year are payable only on the earnings of some of the Company's subsidiaries, while no income taxes are payable in respect of the earnings reported for the other companies. As at December 31, 1972 expenditures remain to be carried forward (subject to assessment by taxation authorities) and applied against future taxable income as follows:

Drilling, exploration and lease acquisition costs . . . . .	\$ 3.9 million
Undepreciated capital cost . . . . .	\$27.8 million

The companies' basis for accounting for income taxes differs from the deferred tax basis under which income tax provisions are based on the earnings reported in the accounts. If the deferred tax basis had been followed, additional income taxes of approximately \$4.4 million would have been provided for the year ended December 31, 1972 (1971 — \$4.3 million) and the earnings for the year would have been reduced accordingly. The accumulated income tax reductions relating to all timing differences in the current year and prior periods amount to approximately \$26.6 million at December 31, 1972.

#### **Note 9 — COMMITMENTS AND CONTINGENT LIABILITIES**

(a) Reference is made to the commitment outlined in Note 2 with respect to the Company incurring additional drilling and exploration expenditures under the terms of the Elf agreement.

(b) Claims to the extent of approximately \$3,500,000 U.S. have been filed against a wholly-owned subsidiary in connection with a pipeline explosion which occurred in late 1971. Management believes that insurance coverage is adequate to cover any and all liability which may emanate therefrom.

#### **Note 10 — PRELIMINARY PROSPECTUS**

In November, 1972, CIGOL International Ltd. (International), a wholly-owned subsidiary of the Company, filed a preliminary prospectus with various securities commissions in Canada and with the Securities and Exchange Commission in the United States. The preliminary prospectus provides for the sale to underwriters of \$30,000,000 (U.S.) principal amount of 4% Convertible Subordinated Debentures, due 1983 and 1,200,000 no par value common shares. Underwriting agreements with respect to this transaction have not yet been finalized.

The Debentures are convertible into common shares of International, prior to maturity or redemption, at the rate of \$6.25 per share and are redeemable in whole or in part at any time. The Debentures are guaranteed on a subordinated basis by the Company. Should International default, the principal becomes payable by the Company five years after the default, with interest at the rate of 5% per annum from such date.

Assuming completion of the financing, the Company's interest in International will be reduced to approximately 92% which could be further reduced to 69% if the Debentures are fully converted.

#### **Note 11 — REMUNERATION OF DIRECTORS AND SENIOR OFFICERS**

Remuneration totalling \$402,187 was paid by the Company and its subsidiaries to the directors and senior officers of the Company in 1972.









# CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months Ended June 30, 1972

(Unaudited)

	1972	1971 (Re-stated)
SALES, SERVICE AND OTHER OPERATING REVENUE . . . . .	\$22,926,399	\$20,485,288
COSTS AND EXPENSES		
Gas and other merchandise purchased . . . . .	6,452,699	5,126,350
Selling, operating and administrative expenses . . . . .	6,519,900	5,728,133
Interest . . . . .	997,628	1,025,250
Depletion . . . . .	2,131,656	2,182,727
Depreciation . . . . .	1,609,083	1,533,210
Minority interest . . . . .	104,001	145,533
	\$17,814,967	\$15,741,203
EARNINGS BEFORE INCOME TAXES . . . . .	5,111,432	4,744,085
Income taxes . . . . .	238,224	222,214
NET EARNINGS . . . . .	\$ 4,873,208	\$ 4,521,871
Earnings per common share (basic and fully diluted) — based on weighted average number of common shares outstanding —		
Cash . . . . .	41¢	39¢
Net . . . . .	23¢	21¢

# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1972

(Unaudited)

	1972	1971 (Re-stated)
FUNDS DERIVED FROM		
Operations		
Net earnings . . . . .	\$ 4,873,208	\$ 4,521,871
Non-cash items . . . . .	4,043,244	3,953,422
	\$ 8,916,452	\$ 8,475,293
Sale of fixed assets . . . . .	335,275	348,437
Issue of common shares for cash . . . . .	104,001	135,333
Long-term debt increase — net . . . . .	2,679,815	520,476
Issue of common shares for acquisition of balance of subsidiary's shares . . . . .	—	950,000
Other sources . . . . .	48,113	78,420
	\$12,083,656	\$10,507,959
FUNDS APPLIED TO		
Oil and gas properties . . . . .	3,727,527	5,840,645
Plant and equipment . . . . .	1,928,790	3,064,549
Investment in other companies . . . . .	2,463,494	3,060,619
Reduction of minority interest in subsidiary company . . . . .	73,475	23,781
Dividend — preferred shares of company . . . . .	43,607	59,273
	\$ 8,236,893	\$12,048,867
INCREASE (DECREASE) IN WORKING CAPITAL . . . . .	\$ 3,846,763	\$(1,540,908)

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CANADIAN  
INDUSTRIAL  
GAS & OIL LTD.

INTERIM REPORT

JUNE 30, 1972



## FINANCIAL

The unaudited consolidated statements of earnings and source and application of funds for the six months ended June 30, 1972, are presented herewith together with figures for the same period of 1971. For comparative purposes the 1971 figures have been re-stated to include those of Frisco Petroleums Ltd. on a pooling of interests basis. On this basis, cash earnings for the six months were \$8,916,000 for 1972 compared with \$8,475,000 for 1971, or 41¢ a share and 39¢ a share respectively, and net earnings were \$4,873,000 compared to \$4,522,000 or 23¢ and 21¢ a share respectively.

## EXPLORATION

### Drilling

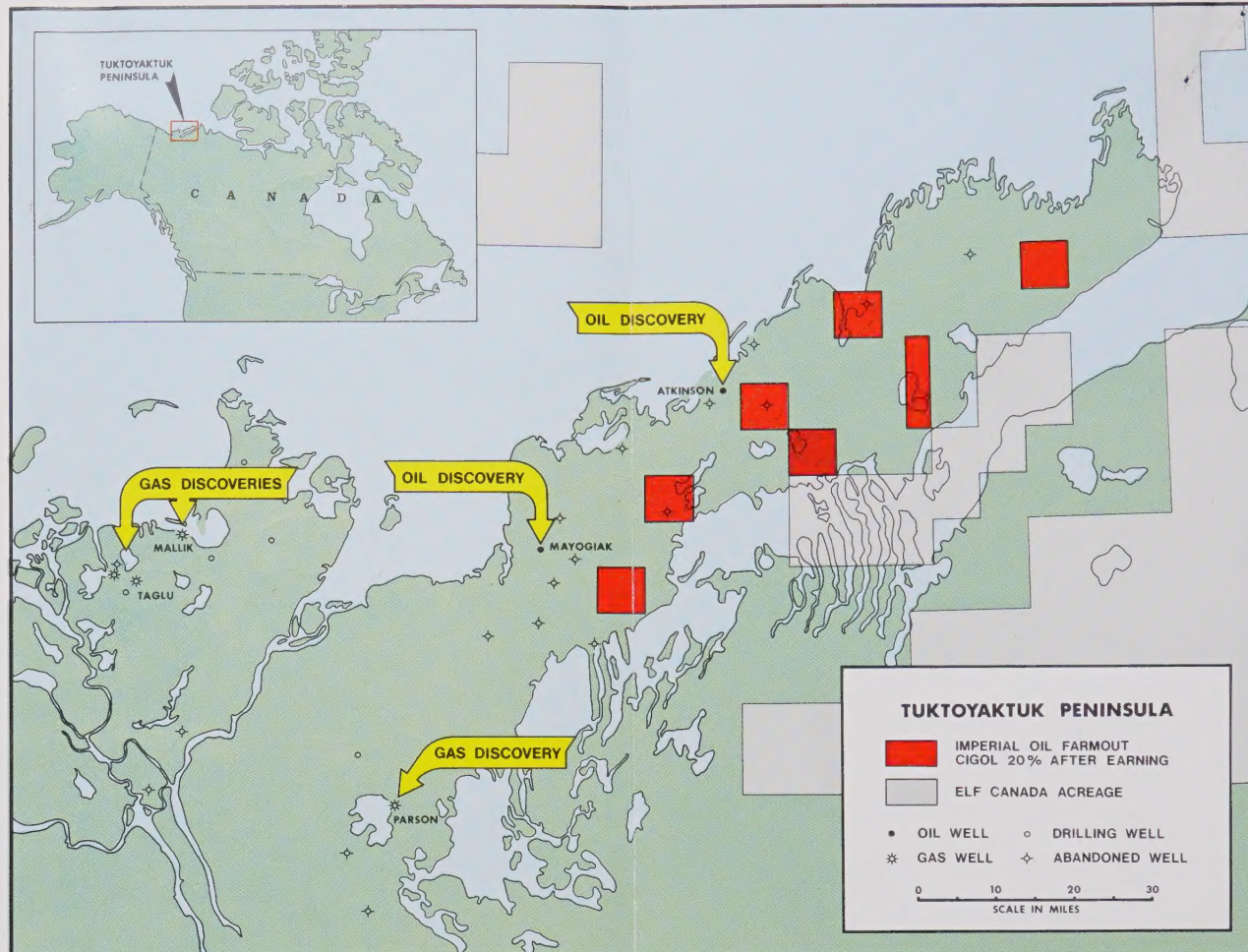
The Company and its subsidiaries participated in the drilling of 34 wells during the six months ended June 30, 1972, of which 4 (.8 net) were oil wells, 11 (4.8 net) were gas wells, and 19 (8.3 net) were abandoned.

### Tuktoyaktuk Peninsula

The Company and Imperial Oil Ltd. have agreed to a multi-million dollar farmin covering certain lands owned by Imperial in the Tuktoyaktuk Peninsula area on the Canadian Arctic Coast. For incurring the cost of drilling six exploratory test wells and a limited seismic program, the Company will have earned an undivided 20% interest in six half grids, totaling approximately 134,000 acres. Drilling operations will be commenced during the latter part of 1972, and should be completed in 1974 or 1975. Imperial has made two oil discoveries, Atkinson Point and Mayogiak, within seven miles of a portion of the farmin lands. There have also been three gas discoveries, Mallik, Taglu and Parsons, within 60 miles of the southernmost farmin block; however, no details of these gas discoveries have been released. Imperial will act as operator, using its extensive facilities established in the Mackenzie Delta area. Varying interests in lands in this area are held by Elf Oil Exploration and Production Canada Ltd., in which the Company owns a 10% share interest. (Please see accompanying map).

### Arctic Islands

Panarctic Oils Ltd. has completed its first follow-up well to the Drake Point gas discovery on Sabine Peninsula of Melville Island. Drake Point F-16, located approximately five miles



southeast of the discovery, was completed with an absolute open flow potential of 210 million cubic feet per day. Prairie Oil Royalties Company, Ltd. (a 74% subsidiary) owns a 3.15% interest in both the well and the acreage on which it was drilled.

### Western Canada

The Company participated to the extent of 50% in an oil discovery in the Majorville area of southern Alberta, approximately ten miles west of the Countess field. The Company holds interests varying from 25% to 100% in approximately 60,000 acres in the vicinity of the discovery.

Frisco Petroleums Ltd., a wholly owned subsidiary, has participated in a six well exploration and development program in the Countess-Lathom area of southern Alberta. Two of the wells (22.5% and 28.7% interest) were completed as oil wells, one (22.5%) as a gas well and the remaining three were abandoned. It

is anticipated that additional drilling will be done in this area before the end of 1972.

### North Sea

Through wholly owned subsidiaries, the Company is participating to the extent of 20% in the drilling of a well, Burmah North Sea 47/14A-1, which was spudded on August 12, 1972. The well is located nine miles southeast of a Rotliegendes gas discovery made by others in early 1970, and twenty-one miles from the nearest point on the English coast.

On Behalf of the Board

*Ed. Salvo*

President

Calgary, Alberta.  
August 28, 1972.